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ESTABLISHMENT OF THE WORK PROGRAMME OF THE STANDING COMMITTEE, INCLUDING ASSISTANCE TO THE TRADE AND DEVELOPMENT BOARD IN ASSESSING THE QUESTION OF A WORLD CONFERENCE ON COMMODITIES UNDER UNCTAD AUSPICES

Issues for consideration in the establishment of the work programme

Note by the UNCTAD secretariat

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INTRODUCTION

1. The work of the Standing Committee on Commodities during the coming 12 to 18 months will, in all likelihood, need to be geared primarily to assisting the Trade and Development Board in deciding on the convening of a world conference on commodities, as mandated at UNCTAD VIII. In this context, the Conference requested that the Standing Committee undertake a comprehensive analysis of commodity policy and explore new, market-oriented approaches to commodity policies. In parallel, the Secretary-General of UNCTAD has been invited by the Conference to hold consultations on the question of a world conference on commodities. Both these processes should seek to ascertain whether there is a large degree of common understanding about the desired results of such a conference. Moreover, the discussions should aim at finding ways and means of achieving a better functioning and enhanced transparency of commodity markets, greater diversification of the commodity sector in developing economies within a macro-economic framework that takes into consideration a country's economic structure, resource endowments, and market opportunities, and better management of natural resources which takes into account the necessities of sustainable development. The Standing Committee's task in relation to the conference is thus largely co-extensive with the terms of reference given to the Standing Committee by the Board at its thirty-eighth session[1].

2. If the Board and the General Assembly of the United Nations agree to the convening of a world conference on commodities under UNCTAD auspices, the Standing Committee will subsequently need to review its work programme to take into account the outcome of the conference. This note therefore raises the issues which it would seem that the Standing Committee would need to address in the immediate period ahead.

I. ANALYSES AND IDENTIFICATION OF APPROACHES ON COMMODITY POLICIES

3. Paragraph 3 of the terms of reference of the Standing Committee on Commodities requires it to undertake analyses and identify approaches on commodity policies, bearing in mind both, as appropriate, Conference resolution 93(IV) and the particular characteristics and situation of individual commodities, including the particular problems of the least developed countries. Points (a) to (i) of paragraph 3 establish the goals to be pursued in this regard. These, to a large extent, are elaborations of the goals set by the Conference in its decision on a world conference on commodities.[2] In undertaking its analyses, the Standing Committee would need to address the situation and prospects of individual commodities and the extent to which they face common or differing problems. These analyses would need to consider the functioning of commodity markets and any distortions affecting supply and demand, existing barriers to trade and actions being taken in this regard, the extent of market transparency and problems stemming from commodity-related shortfalls of developing countries and developments in the field of compensatory financing of export earnings shortfalls.

4. With respect to identifying approaches on commodity policies, the Standing Committee would need to address the compatibility and consistency of policies at national and international levels. It is recalled that in paragraph 9 of its terms of reference, the Standing Committee is called upon to "be inspired by the need to promote international consensus on principles and strategies for policy action at the national and international levels to enhance the development prospects of

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[1] See TD/B(XXXVIII)/Misc. 5, pp. 2 to 4.

[2] TD(VIII)/Misc.4, p. 75 "World commodity conference".

member States, particularly those of developing countries. It should provide a forum for the exchange of experiences among member States so as to enable them to draw appropriate lessons for the formulation and implementation of policies at the national and international levels and for international economic cooperation". Moreover, in paragraph 10 of its terms of reference the Standing Committee is requested to "take due account of the diversity of country situations and experiences. It may base its work on country reviews by the secretariat and seek from relevant countries the presentation of studies on their national experiences".

5. It also appears necessary that the Standing Committee explore the implications of greater use of various mechanism for the management of risks associated with commodity market fluctuations, obstacles to their potential use and modalities for overcoming them, as mandated in paragraph 3(h) of its terms of reference. The Conference recognized in the Cartagena Commitment "that increased reliance on market forces to determine international commodity prices requires the efficient and transparent operation of price formation mechanisms",[3] and called for an examination at the level of governmental and non- governmental experts of the conditions, both technical and regulatory, for encouraging maximum participation in, and usage of, commodity exchanges by both buyers and sellers of commodities and of proposals to address these conditions.[4] In consequence, before addressing this issue in the Standing Committee, Governments may wish to await the analysis and proposals emanating from these experts.

6. In undertaking its analyses and in identifying approaches on commodity policies, the Standing Committee may wish to request inputs from within the United Nations system, for example from FAO, GATT, IMF, the International Trade Centre UNCTAD/GATT and the World Bank, which are involved in the commodity field, as well as from autonomous commodity bodies at international and regional levels and the Common Fund for Commodities. This would seem appropriate in view of the Standing Committee's mandate to facilitate and coordinate activities of bodies involved in the commodity field. In addition, it could also, taking into account paragraph 10 of its terms of reference, seek the participation of, and draw on the experience and expertise of, non-governmental actors, particularly enterprises, trade unions, the academic community and non-governmental organizations. In this regard, it might be mentioned that the proposal of Colombia on convening a world conference on commodities seeks to bring together producers, consumers, marketing enterprises and other market actors, as noted by the Conference.[5]

II. OPTIMIZING THE CONTRIBUTION OF THE COMMODITIES SECTOR TO DEVELOPMENT

7. In line with its terms of reference, the Standing Committee's analyses and identification of approaches on commodity policies to optimize the contribution of the commodity sector to development might focus on three areas. The first concerns efforts towards greater cost-effectiveness and productivity, thereby enhancing competitiveness. The second concerns efforts directed at horizontal and vertical diversification of production and exports as well as crop substitution, *inter alia*, to achieve a gradual reduction in excessive dependence on the export of primary commodities. The third involves efforts aimed at sound management of natural resources and the achievement of sustainable development. The work to be undertaken by the Standing

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[3] See TD(VIII)/Misc.4, para. 206.

[4] Ibid., para. 213.

[5] Ibid., p. 75, decision on "World commodity conference", second paragraph.

Committee in this area would need to take into account paragraphs 211, 214, and 215 of the Cartagena Commitment. In addition, in respect of the issue of sustainable development, the Standing Committee may wish to consider how to pursue the four subjects described in paragraph 208 of the Cartagena Commitment.

8. Policies for optimizing the contribution of the commodity sector to development have by their very nature implications for a range of commodities, so that consistency and compatibility of such policies at national and international levels would seem to be a matter of concern for the Standing Committee. In this context, the Committee may wish to examine the extent of coordination among donor-country governments and international institutions and identify ways and means to increase coordination to help avoid inconsistencies in advice and potential over-investment in particular sectors - an issue raised in paragraph 203 of the Cartagena Commitment.

9. The Standing Committee may also wish to take into account that the General Assembly of the United Nations, at its session in the Autumn of 1993, will consider the question of a diversification fund for Africa, as agreed in the New Agenda for the Development of Africa in the 1990s adopted by the General Assembly in resolution 46/151.

III. FOLLOWING AND FACILITATING INTERGOVERNMENTAL CONSULTATIONS AND ACTIONS AMONG INTERESTED GOVERNMENTS ON THE PROBLEMS OF PARTICULAR COMMODITIES

10. The Standing Committee will be aware that for virtually all commodities for which international commodity agreements exist, successor agreements are being negotiated in the course of 1992 and 1993, in nearly all cases under UNCTAD auspices. The International Sugar Agreement, 1992, negotiated in March 1992, is currently open for signature and is intended to enter into force on 1 January 1993. The United Nations Cocoa Conference, 1992, met from 21 April to 1 May and from 6 to 24 July 1992, and a third session is envisaged from 2 to 13 November 1992 to conclude negotiations on a successor agreement with economic provisions. The International Coffee Council established, in April 1992, a Negotiating Group and a Working Committee of 10 importing and 10 exporting members to assist this Group in preparing a new agreement with economic provisions. The Negotiating Group and the Working Committee met from 22 to 26 June 1992 and the Working Committee met further from 27 to 31 July 1992. The United Nations Conference to negotiate a successor agreement to the International Agreement on Olive Oil and Table Oils, 1986, is scheduled to take place from 8 to 12 March 1993, and a United Nations Conference on Tropical Timber, from 13 to 16 April and 21 to 25 June 1993. A decision is expected to be taken in December 1992 on the negotiation in 1993 of a successor agreement to the International Natural Rubber Agreement, 1987. The International Wheat Council is currently examining the question of whether to extend or renegotiate the current agreement. It is recalled that in respect of certain agricultural products, there are intergovernmental groups in the FAO (bananas; citrus fruits; fisheries; forestry; grains; hard fibres; jute, kenaf and allied fibres; meat; oilseeds, oils and fats; rice; tea and wine) and in GATT (dairy products and meat) which meet at regular intervals to review the market situation and prospects of the commodities in question.

11. With respect to minerals and metals, the terms of reference of the International Study Group on Copper came into force in January 1992 and the Secretary-General of UNCTAD convened the inaugural meeting of the Group in Geneva from 22 to 26 June 1992. The International Lead and Zinc Study Group, which came into existence more than 30 years ago, continues to meet regularly to discuss the market situation and prospects as well as to improve statistics and to examine issues impinging on the market for the metals in question. The

International Nickel Study Group has met regularly since June 1990 with similar objectives. The terms of reference of the International Tin Study Group negotiated under UNCTAD auspices in April 1989 have yet to enter into force. The Secretary-General of UNCTAD, on behalf of the Secretary-General of the United Nations who is the depositary of these terms of reference, intends to hold consultations during the last quarter of 1992 with interested countries on future international cooperation on tin. Possibly, at the same time, pursuant to the decision of the Ad hoc Review Meeting on Bauxite requesting the Secretary-General of UNCTAD to convene a second meeting and taking into account consultations held in Cartagena during UNCTAD VIII, the Secretary-General of UNCTAD intends to hold consultations to ascertain the need and level of support for a producer/consumer forum on bauxite/alumina/aluminum.

12. Decisions concerning the future activities of the Intergovernmental Group of Experts on Tungsten and the Intergovernmental Group of Experts on Iron Ore, referred to in paragraph 7 of the Standing Committee's terms of reference, are a matter for consideration under item 4 of the Standing Committee's provisional agenda.

IV. ORGANIZATION OF THE WORK OF THE STANDING COMMITTEE

13. It would seem necessary that the Standing Committee take decisions at its first session on how it plans to proceed with its work in order to assist the Board in assessing the question of a world conference on commodities. Such decisions would need to involve the drawing-up of priorities, requests for inputs and the timing of future sessions. Moreover, the Secretary-General of UNCTAD intends, subject to financial resources being available, to convene two meetings of governmental and non-governmental experts to examine the conditions for encouraging participation in commodity exchanges by buyers and sellers of commodities and to make proposals in this regard.

14. It should be recalled that, pursuant to General Assembly resolution 45/200, the General Assembly of the United Nations will consider at its forty-seventh session this year the question of commodities based on its request to the Secretary-General of UNCTAD to submit a report, in light of the outcome of the eighth session of the Conference, on world commodity trends and prospects, with particular reference to the situation of commodity-dependent developing countries. This report will be available to the Standing Committee.